Forget Retiring Early With Bitcoin! I'd Invest Money in Bargain Shares Today to Get Rich

Description

The threat of a second stock market crash may mean that some investors are avoiding the purchase of bargain shares. Risks such as political uncertainty across many of the world's regions and the ongoing coronavirus pandemic may dissuade them from investing money in the stock market.

However, low valuations may present buying opportunities for long-term investors. Therefore, focusing your capital on equities rather than popular assets such as Bitcoin may have a more positive impact on your financial position over the long run.

Buying bargain shares

Investing money in bargain shares may never feel like the right move for any investor to make. After all, when a company's share price trades below its intrinsic value there is often an elevated level of risk that reduces demand among investors. Heightened risks can mean that the short-term prospects for cheap stocks are relatively unfavourable. This can translate into paper losses for investors over the short run.

However, a strategy of buying undervalued stocks has previously proved to be a sound means of obtaining high returns over the long run. It allows any investor to take advantage of market mispricings, where high-quality companies sell at low prices on a temporary basis due to weak investor sentiment. Over time, their prospects are likely to improve. This can be rewarded with higher share prices as investor sentiment strengthens.

Investing money in high-quality stocks at low prices

Today could be the right time to start buying bargain shares. A number of companies with solid balance sheets that are likely to allow them to survive a weak economic outlook currently trade at low prices. Similarly, businesses with strategies that will allow them to adapt to changing consumer trends also seem to be undervalued by investors. This may be because they face a period of uncertain operating conditions, or it may be down to weak investor sentiment towards the wider stock market.

Either way, the long-term prospects for the world economy may be brighter than many investors are currently anticipating. Policymakers have stated that they are willing to undertake further monetary policy stimulus in many of the world’s major economies. Alongside fiscal stimulus packages, this may mean that a relatively fast-paced economic recovery takes place that improves the operating outlooks for many businesses.

Avoiding popular assets such as Bitcoin

Therefore, now could be the right time to avoid popular assets such as Bitcoin in favour of bargain shares. The virtual currency’s recent price rise may mean that it lacks scope for capital growth relative to undervalued shares.

Furthermore, its regulatory risks and lack of infrastructure may hold back its progress and make it less appealing in the eyes of some investors. This may be detrimental to its return outlook, and could mean that a portfolio of undervalued shares outperforms it in the coming years.

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peterstephens